

**WATER AUTHORITY OF DICKSON COUNTY**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

# WATER AUTHORITY OF DICKSON COUNTY

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*December 31, 2012 and 2011*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners  
Water Authority of Dickson County  
Dickson, Tennessee

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the Water Authority of Dickson County (the Authority), which comprise the balance sheet as of December 31, 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Water Authority of Dickson County as of December 31, 2012, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

The financial statements as of December 31, 2011 were audited by other auditors, whose report dated on April 2, 2012 expressed an unqualified opinion on those statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

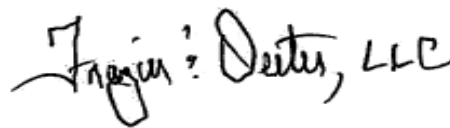
Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The supplemental information on pages 38 through 41, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on page 37 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information on pages 37 through 41 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental information shown on pages 42 through 48 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

May 10, 2013

A handwritten signature in black ink, appearing to read "Ferguson & Deiter, LLC". The signature is written in a cursive, flowing style.

# WATER AUTHORITY OF DICKSON COUNTY

## *Management's Discussion and Analysis (Unaudited)*

*December 31, 2012 and 2011*

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This section of the Water Authority of Dickson County's (the Authority) annual financial report presents management's analysis of the Authority's financial condition and activities for the year as compared to the previous two years. This information should be read in conjunction with the financial statements which follow this section.

### Financial Highlights

There were no rate or fee increases for 2012. The Authority continues to evaluate rates through an annual comprehensive performance assessment.

### Overview of Annual Financial Report

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements. The MD&A represents management's examination and analysis of the Authority's financial condition and performance. The financial statements report information about the Authority using full accrual accounting methods and include a balance sheet; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements.

The *balance sheet* presents the financial position of the Authority on a full accrual basis. The balance sheet presents information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Increases and decreases in net position are an indicator of the financial position of the Authority.

The *statement of revenues, expenses and changes in net position* summarizes the business activities over the course of the year. All changes in net position are reported when the underlying event occurs regardless of the timing of the related cash flow.

The *statement of cash flows* presents changes in cash and cash equivalents resulting from operational, financing, and investing activities. This statement presents cash receipts and disbursements without consideration of the recognition of the related event giving rise to the cash flows.

The *notes to the financial statements* provide required disclosures and other information that is essential to understanding the material provided in the accompanying statements. Information is presented about the Authority's accounting policies, material risks, obligations, contingencies and subsequent events, if any.

# WATER AUTHORITY OF DICKSON COUNTY

## *Management's Discussion and Analysis (Unaudited) - Continued*

*December 31, 2012 and 2011*

### Net Position

To begin our analysis, a condensed summary of the Authority's Balance Sheets is presented in Table A-1.

**TABLE A-1**  
**Condensed Balance Sheets**  
**(In millions of dollars)**

	December 31, 2012	December 31, 2011	Dollar Change	Percent Change	December 31, 2010	Dollar Change	Percent Change
Current and other assets	\$ 11.0	\$ 10.2	\$ 0.8	7.8 %	\$ 9.4	\$ 0.8	8.5 %
Capital assets	<u>76.9</u>	<u>76.6</u>	<u>0.3</u>	0.4 %	<u>77.6</u>	<u>(1.0)</u>	(1.3)%
Total assets	<u>\$ 87.9</u>	<u>\$ 86.8</u>	<u>\$ 1.1</u>	1.3 %	<u>\$ 87.0</u>	<u>\$ (0.2)</u>	(0.2)%
Long-term liabilities	\$ 27.7	\$ 27.2	\$ 0.5	1.8 %	\$ 30.8	\$ (3.6)	(11.7)%
Other liabilities	<u>3.8</u>	<u>5.4</u>	<u>(1.6)</u>	(29.6)%	<u>3.5</u>	<u>1.9</u>	54.3 %
Total liabilities	31.5	32.6	(1.1)	(3.4)%	34.3	(1.7)	(5.0)%
Net position:							
Net investment in capital assets	48.3	47.2	1.1	2.3 %	46.5	0.7	1.5 %
Restricted	1.7	1.2	0.5	41.7 %	1.2	-	- %
Unrestricted	<u>6.4</u>	<u>5.8</u>	<u>0.6</u>	10.3 %	<u>5.0</u>	<u>0.8</u>	16.0 %
Total net position	<u>56.4</u>	<u>54.2</u>	<u>2.2</u>	4.1 %	<u>52.7</u>	<u>1.5</u>	2.8 %
Total liabilities and net position	<u>\$ 87.9</u>	<u>\$ 86.8</u>	<u>\$ 1.1</u>	1.3 %	<u>\$ 87.0</u>	<u>\$ (0.2)</u>	(0.2)%

# WATER AUTHORITY OF DICKSON COUNTY

## *Management's Discussion and Analysis (Unaudited) - Continued*

*December 31, 2012 and 2011*

Total assets at 2012 year-end were \$87.9 million, an increase of \$1.1 million from 2011 year-end. Total assets exceeded total liabilities, in the amount of \$31.5 million, by \$56.4 million. Current and other assets increased 7.8% from 2011 primarily due to the deferment of the annual capital water line extension project in anticipation of participation from an Environmental Protection Agency (EPA) cost sharing grant. Therefore, cash deposits within the Authority's designated capital funds increased significantly.

Total assets at 2011 year-end were \$86.8 million and exceeded total liabilities, in the amount of \$32.6 million, by \$54.2 million.

**TABLE A-2**  
**Condensed Statements of Revenues, Expenses and Changes in Net Position**  
**(In millions of dollars)**

	Year Ended 2012	Year Ended 2011	Dollar Change	Percent Change	Year Ended 2010	Dollar Change	Percent Change
Operating revenues	\$ 14.1	\$ 13.9	\$ 0.2	1.4 %	\$ 14.3	\$ (0.4)	(2.8)%
Non-operating revenues	<u>0.1</u>	<u>0.1</u>	<u>-</u>	- %	<u>0.1</u>	<u>-</u>	- %
Total revenues	14.2	14.0	0.2	1.4 %	14.4	(0.4)	(2.8)%
Operations and maintenance expenses	7.1	7.0	0.1	1.4 %	6.6	0.4	6.1 %
Customer accounting and collection expenses	0.8	0.8	-	- %	0.8	-	- %
Administrative and general expenses	0.5	0.6	(0.1)	(16.7)%	0.6	-	- %
Depreciation and amortization expenses	4.3	4.1	0.2	4.9 %	4.1	-	- %
Non-operating expenses	<u>1.2</u>	<u>1.3</u>	<u>(0.1)</u>	(7.7)%	<u>\$ 1.4</u>	<u>\$ (0.1)</u>	(7.1)%
Total expenses	<u>13.9</u>	<u>13.8</u>	<u>0.1</u>	0.7 %	<u>13.5</u>	<u>0.3</u>	2.2 %
Total revenues in excess of total expenses	0.3	0.2	0.1	50.0 %	0.9	(0.7)	(77.8)%
Capital contributions	<u>1.9</u>	<u>1.3</u>	<u>0.6</u>	46.2 %	<u>2.3</u>	<u>(1.0)</u>	(43.5)%
Change in net position	2.2	1.5	0.7	46.7 %	3.2	(1.7)	(53.1)%
Beginning net position	<u>54.2</u>	<u>52.7</u>	<u>1.5</u>	2.8 %	<u>49.5</u>	<u>3.2</u>	6.5 %
Ending net position	<u>\$ 56.4</u>	<u>\$ 54.2</u>	<u>\$ 2.2</u>	4.1 %	<u>\$ 52.7</u>	<u>\$ 1.5</u>	2.8 %

During 2012, the Authority treated 1.6 billion gallons of water and treated 1.3 billion gallons of wastewater, consistent in quantity of treated water and a slight decrease in treated wastewater from the comparable figures of 2011.

# WATER AUTHORITY OF DICKSON COUNTY

## *Management's Discussion and Analysis (Unaudited) - Continued*

*December 31, 2012 and 2011*

Operating revenues increased to \$14.1 million. Total expenses increased \$0.1 million or 0.7% from 2011, primarily resulting from direct and indirect expenses associated with rising fuel costs. As a result of increased operating revenues and steady operating expenses, operating income increased from 2011. Capital contributions also increased from 2011, due largely to funds received through the forgiven principal from the federal government for sewer line installation in the Town of Burns and a capital contribution of water and wastewater relocation lines from the Tennessee Department of Transportation.

During 2011, the Authority treated 1.6 billion gallons of water and treated nearly 1.4 billion gallons of wastewater, representing a slight decrease from the comparable figures of 2010.

Operating revenues decreased to \$13.9 million. Total expenses increased \$0.3 million or 2.2% from 2010, primarily resulting from direct and indirect expenses associated with rising fuel cost and purchased power. As a result of decreased operating revenues and increased operating expenses, operating income decreased from 2010. Capital contributions also decreased from 2010, due largely to funds received in 2010 through the American Recovery and Reinvestment Act.

**TABLE A-3**  
**Capital Assets**  
**(In millions of dollars)**

	December 31, 2012	December 31, 2011	Dollar Change	Percent Change	December 31, 2010	Dollar Change	Percent Change
Water plant	\$ 66.6	\$ 65.0	\$ 1.6	2.5 %	\$ 63.4	\$ 1.6	2.5 %
Wastewater plant	51.8	50.1	1.7	3.4 %	48.8	1.3	2.7 %
General plant	6.1	6.1	-	- %	6.1	-	- %
Land and improvements	2.3	2.3	-	- %	2.3	-	- %
Construction in progress	<u>1.7</u>	<u>0.6</u>	<u>1.1</u>	183.3 %	<u>0.7</u>	<u>(0.1)</u>	(14.3)%
Subtotal	128.5	124.1	4.4	3.5 %	121.3	2.8	2.3 %
Less accumulated depreciation	<u>(51.6)</u>	<u>(47.6)</u>	<u>(4.0)</u>	8.4 %	<u>(43.7)</u>	<u>(3.9)</u>	8.9 %
Net capital assets	<u>\$ 76.9</u>	<u>\$ 76.5</u>	<u>\$ 0.4</u>	0.5 %	<u>\$ 77.6</u>	<u>\$ (1.1)</u>	(1.4)%

In 2012, the capital assets of the Authority increased by \$4.4 million or 3.5%, adding 9.32 miles of water main and 1.58 miles of sewer main to the system.

In 2011, the capital assets of the Authority increased by \$2.8 million or 2.3%, adding 5.7 miles of water main and 1.16 miles of sewer main to the system.



# WATER AUTHORITY OF DICKSON COUNTY

## *Management's Discussion and Analysis (Unaudited) - Continued*

*December 31, 2012 and 2011*

**TABLE A-4a**  
**Debt Coverage Ratio**  
**(In millions of dollars)**

	<u>Year Ended 2012</u>
Change in net position	\$ 2.2
Less: Authority's contributed property	(1.8)
Add: Depreciation and amortization expense	4.3
Add: Interest expense	<u>1.2</u>
Adjusted income available for debt service	<u>\$ 5.9</u>
Annual debt service	<u>\$ 3.3</u>
Debt coverage ratio	<u>1.8</u>

The Authority is obligated by a restrictive covenant of the Series 2002 bond resolution to approve before year end a budget facilitating a debt service coverage ratio of not less than 1.1 to 1. Prior to 2009 this calculation was exclusive of the operating results of the City of Fairview, Tennessee water and wastewater systems contributed to the Authority. This calculation is now inclusive of both systems, as reflected in Table A-4a. The Authority's 2013 budget is also in compliance with the bond resolution covenant, as reflected in Table A-4b.

**TABLE A-4b**  
**Debt Coverage Ratio - 2013 Budgeted Amounts**  
**(In millions of dollars)**

	<u>Year Ending 2013</u>
Operating revenues	\$ 14.4
Operating expenses (including depreciation and amortization)	<u>12.9</u>
Operating profit	1.5
Add depreciation and amortization expense	<u>4.2</u>
Cash from operations	<u>\$ 5.7</u>
Interest and principal	<u>\$ 3.2</u>
Debt coverage ratio	<u>1.8</u>

# WATER AUTHORITY OF DICKSON COUNTY

## *Management's Discussion and Analysis (Unaudited) - Continued*

*December 31, 2012 and 2011*

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The Authority is also required to maintain a debt coverage ratio of at least 1.2 to 1 for 2012 to keep its State Revolving Fund (SRF) funding from the State of Tennessee. The Authority is in compliance with this requirement.

### **Currently Known Facts, Decisions or Conditions**

- Refinancing Plan - The Authority is in the process of refinancing various long term debt obligations in an effort to benefit from interest savings. In turn, a reduction in the annual debt service requirements should allow future capital improvements to be financed with less dependence on debt.
- Fairview Rate Structure - After fulfilling a 2006 consolidation agreement with the City of Fairview that required the pre-consolidation rates/fees be maintained for a period of not less than five years, the Authority adjusted the somewhat complex rate structure to the Authority's standard rate and fee schedule. This adjustment was considered a restructuring for consistency and simplicity and not for the purpose of a rate increase.
- Capital Projects - The Authority continues to be aggressive in rehabilitation and expansion projects that benefit the communities served and provide responsible, environmental stewardship. The following highlights some of the significant projects in process or being planned:

Sewer Expansion to the Town of Burns - The Authority is extending sewer service to approximately 400 customers within the Town of Burns. This project is in the construction phase and is expected to be completed by the summer of 2013.

City of Dickson Sewer Rehabilitation - A comprehensive rehabilitation program consisting of three phases for the sewer system within the City of Dickson has been developed to address infiltration/inflow issues along with capacity requirements at the receiving Jones Creek Wastewater Treatment Plant. Completed in 2012, Phase I consisted of flow monitoring each basin within the system. Phase II is the physical assessment of the system and is scheduled to be complete in 2013. Once the data acquired during the assessment is processed, a Corrective Action Plan will be developed with construction schedules and cost projections. Phase III will be the construction phase to address deficiencies in the infrastructure.

EPA Cost-Share Rural Water Line Extensions - The Authority has been selected by the EPA to receive a cost-share grant for extending water lines into two rural areas, the Crow Cut/Sugar Camp Road areas in Fairview and Willow Branch Road area in Charlotte. Construction is expected during the summer of 2013.

# WATER AUTHORITY OF DICKSON COUNTY

## *Management's Discussion and Analysis (Unaudited) - Continued*

*December 31, 2012 and 2011*

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### **Currently Known Facts, Decisions or Conditions - continued:**

Highway 48S Corridor Water Upgrades - Significant contamination to ground water and individual wells has been identified in this area. Extensive expansion of the Authority's water distribution system will be required to accommodate this need. Hydraulic system modeling is being conducted for the purpose of planning capital upgrades necessary to facilitate these required extensions.

Fairview Water Supply - The Authority is planning capital upgrades that will significantly decrease the dependency of a supply connection from another utility and will provide additional capacity for anticipated growth in the area, especially around the SR840 interchanges.

- As mentioned in previous audits, staffing is still being maintained at critical levels. As overtime hours and operational procedures are evaluated, staff levels may be expanded to reduce overtime burdens, ensure compliance mandates, and provide efficient operations that optimize resources and assets.

# WATER AUTHORITY OF DICKSON COUNTY

## Balance Sheets

	<i>December 31,</i>	
	<i>2012</i>	<i>2011</i>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,005,368	\$ 2,916,120
Investments	1,541,453	1,529,056
Accounts receivable, net of allowance for doubtful accounts of \$80,243 for 2012 and \$85,182 for 2011	966,287	985,822
Federal grant receivable	130,133	8,029
Unbilled revenues	756,941	760,273
Inventories	388,093	382,336
Prepaid expenses	<u>137,599</u>	<u>126,216</u>
Total current assets	6,925,874	6,707,852
Restricted assets:		
Cash and cash equivalents		
Debt service fund	135,418	139,167
Debt service reserve fund	2,096,394	2,051,794
Construction fund	<u>57,641</u>	<u>-</u>
Total restricted cash and cash equivalents	2,289,453	2,190,961
Security deposit - debt service reserve fund	<u>1,221,996</u>	<u>775,776</u>
Total restricted assets	3,511,449	2,966,737
Net pension assets	224,093	168,363
Unamortized debt issuance costs	316,055	349,722
Utility plant:		
Utility plant in service	126,797,221	123,591,733
Less: accumulated depreciation and amortization	<u>(51,596,422)</u>	<u>(47,573,511)</u>
	75,200,799	76,018,222
Construction in progress	<u>1,673,356</u>	<u>555,320</u>
Net utility plant	<u>76,874,155</u>	<u>76,573,542</u>
Total Assets	<u>\$ 87,851,626</u>	<u>\$ 86,766,216</u>

See notes to financial statements.

# WATER AUTHORITY OF DICKSON COUNTY

## *Balance Sheets - Continued*

	<i>December 31,</i>	
	<i>2012</i>	<i>2011</i>
<b>Liabilities and Net Position</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 976,015	\$ 2,569,708
Current maturities of capital lease obligations	71,064	25,059
Accounts payable	582,405	513,714
Accrued payroll and related taxes	124,299	109,302
Accrued compensated absences	260,730	252,560
Deferred revenues	368,448	562,898
Other accrued liabilities	<u>265,261</u>	<u>244,124</u>
Total current liabilities	2,648,222	4,277,365
Liabilities payable from restricted assets:		
Current maturities of long-term debt	1,000,000	1,000,000
Accrued interest	91,903	91,903
Construction costs payable	<u>57,641</u>	<u>-</u>
Total liabilities payable from restricted assets	1,149,544	1,091,903
Capital lease obligations, less current maturities	192,857	35,212
Long-term debt, less current maturities	<u>27,459,100</u>	<u>27,152,822</u>
Total liabilities	<u>31,449,723</u>	<u>32,557,302</u>
Net position:		
Net investment in capital assets	48,349,163	47,224,294
Restricted for debt service	1,745,767	1,241,863
Unrestricted	<u>6,306,973</u>	<u>5,742,757</u>
Total net position	<u>56,401,903</u>	<u>54,208,914</u>
Total Liabilities and Net Position	<u>\$ 87,851,626</u>	<u>\$ 86,766,216</u>

See notes to financial statements.

# WATER AUTHORITY OF DICKSON COUNTY

## *Statements of Revenues, Expenses and Changes in Net Position*

	<i>For the Year Ended December 31,</i>			
	<i>2012</i>		<i>2011</i>	
	<u>Amount</u>	<u>Percent of Sales</u>	<u>Amount</u>	<u>Percent of Sales</u>
Operating revenues:				
Water revenues	\$ 9,317,015	66.0 %	\$ 9,307,747	66.7 %
Wastewater revenues	4,836,520	34.3 %	4,699,725	33.7 %
Uncollectible accounts	<u>(40,035)</u>	<u>-0.3 %</u>	<u>(61,102)</u>	<u>-0.4 %</u>
Total operating revenues	14,113,500	100.0 %	13,946,370	100.0 %
Operating expenses:				
Operations and maintenance	6,954,343	49.3 %	7,030,992	50.4 %
Customer accounting and collection	815,486	5.8 %	789,290	5.7 %
Administrative and general	549,376	3.9 %	588,661	4.2 %
Depreciation and amortization	<u>4,311,114</u>	<u>30.5 %</u>	<u>4,185,877</u>	<u>30.0 %</u>
Total operating expenses	<u>12,630,319</u>	<u>89.5 %</u>	<u>12,594,820</u>	<u>90.3 %</u>
Operating income	1,483,181	10.5 %	1,351,550	9.7 %
Nonoperating revenues (expenses):				
Interest income	35,780	0.3 %	43,189	0.3 %
Other income	39,900	0.3 %	44,933	0.3 %
Federal Emergency Management Agency Grant	-	-	1,574	-
Interest expense	<u>(1,242,386)</u>	<u>-8.8 %</u>	<u>(1,307,923)</u>	<u>-9.4 %</u>
Total nonoperating expenses	<u>(1,166,706)</u>	<u>-8.2 %</u>	<u>(1,218,227)</u>	<u>-8.8 %</u>
Income before capital contributions	316,475	2.3 %	133,323	0.9 %
Capital contributions	<u>1,876,514</u>	<u>13.3 %</u>	<u>1,339,929</u>	<u>9.6 %</u>
Change in net position	2,192,989	<u>15.6 %</u>	1,473,252	<u>10.5 %</u>
Net position, beginning of year	<u>54,208,914</u>		<u>52,735,662</u>	
Net position, end of year	<u>\$ 56,401,903</u>		<u>\$ 54,208,914</u>	

See notes to financial statements.

# WATER AUTHORITY OF DICKSON COUNTY

## Statements of Cash Flows

### Increase (Decrease) in Cash and Cash Equivalents

For the Year Ended December 31,  
2012      2011

#### Cash flows from operating activities:

Receipts from customers	\$ 13,962,219	\$ 13,943,661
Payments to suppliers	(4,459,317)	(4,339,407)
Payments to or on behalf of employees	(4,046,894)	(3,998,226)
Proceeds from insurance recoveries	<u>19,075</u>	<u>-</u>

Net cash provided by operating activities	5,475,083	5,606,028
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#### Cash flows from noncapital financing activities:

Federal Emergency Management Agency Grant received	-	64,911
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#### Cash flows from capital and related financing activities:

Acquisitions and construction of utility plant	(2,411,155)	(1,693,957)
Proceeds from long-term debt	672,723	18,070
Payments on long-term debt	(1,944,078)	(1,966,024)
Payments on capital lease obligations	(36,015)	(23,957)
Interest paid (net of interest capitalized)	(1,258,446)	(1,325,172)
Proceeds from disposal of utility plant	10,656	38,798
Insurance proceeds received for impaired utility plant	-	38,897
Payments of short-term payables for prior year utility plant additions	(199,418)	(106,220)
Capital contributions	258,609	97,306
Security deposit - debt service reserve fund	(446,220)	-
Other income	<u>39,900</u>	<u>44,933</u>

Net cash used in capital and related financing activities	(5,313,444)	(4,877,326)
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#### Cash flows from investing activities:

Purchase of investments	(12,397)	(1,537,671)
Proceeds from sale of investments	-	856,309
Interest received	<u>38,498</u>	<u>47,384</u>

Net cash provided by (used in) investing activities	26,101	(633,978)
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Net increase in cash and cash equivalents	187,740	159,635
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Cash and cash equivalents, beginning of year	<u>5,107,081</u>	<u>4,947,446</u>
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Cash and cash equivalents, end of year	<u><u>\$ 5,294,821</u></u>	<u><u>\$ 5,107,081</u></u>
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Unrestricted cash and cash equivalents	\$ 3,005,368	\$ 2,916,120
Restricted cash and cash equivalents	<u>2,289,453</u>	<u>2,190,961</u>
	<u><u>\$ 5,294,821</u></u>	<u><u>\$ 5,107,081</u></u>

See notes to financial statements.

# WATER AUTHORITY OF DICKSON COUNTY

## *Statements of Cash Flows - Continued*

	<i>For the Year Ended December 31,</i>	
	<u>2012</u>	<u>2011</u>
<b><u>Reconciliation of operating income to net cash provided by operating activities:</u></b>		
Operating income	\$ 1,483,181	\$ 1,351,550
<b><u>Adjustments to reconcile operating income to net cash provided by operating activities:</u></b>		
Depreciation and amortization	4,311,113	4,185,877
<b><u>Changes in operating assets and liabilities:</u></b>		
Account receivable	16,817	14,794
Unbilled revenues	3,332	37,517
Inventories	(5,757)	8,152
Prepaid expenses	(11,383)	262
Net pension assets	(55,730)	(97,323)
Accounts payable	(116,344)	109,520
Accrued payroll and related taxes	14,997	2,651
Accrued compensated absences	8,170	13,092
Deferred revenues	(194,450)	(55,020)
Other accrued liabilities	<u>21,137</u>	<u>34,956</u>
Total adjustments	<u>3,991,902</u>	<u>4,254,478</u>
Net cash provided by operating activities	<u>\$ 5,475,083</u>	<u>\$ 5,606,028</u>
<b><u>Supplemental Disclosure of Noncash capital and Related Financing Activities:</u></b>		
Contributions of utility plant	<u>\$ 1,495,801</u>	<u>\$ 1,254,669</u>
Utility plant additions financed by accounts payable	<u>\$ 442,094</u>	<u>\$ 199,418</u>
Utility plant additions financed by a capital lease obligation	<u>\$ 239,665</u>	<u>\$ 40,800</u>

See notes to financial statements.



# **WATER AUTHORITY OF DICKSON COUNTY**

## ***Notes to Financial Statements***

### ***December 31, 2012 and 2011***

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#### Note 1 - Nature of organization:

The Dickson County Water Authority was created in January 1990 by Chapter 124 of the Tennessee Private Acts of 1990 as a public and governmental body established for the purpose of planning, financing, developing and operating water and wastewater treatment and transmission facilities in Dickson County, Tennessee.

Under Chapter 51 of the Tennessee Private Acts of 2001 (Chapter 51), the 1990 Private Act was amended which changed the name from Dickson County Water Authority to Water Authority of Dickson County (the Authority). Also under Chapter 51, all powers of the Authority are vested in and exercised by a five-member Board of Commissioners (the Board). The Board consists of two commissioners from the former Turnbull-White Bluff Utility District, appointed by the mayor of Dickson County, the mayor of the City of Dickson, Tennessee, or the mayor's designee, a member of the City Council of the City of Dickson, Tennessee, appointed by the City's mayor, and a member at-large selected by the other four commissioners. The service area of the Authority was redefined in Chapter 51 to include all of Dickson County, Tennessee, other than service areas designated by the mayor of Dickson County to existing utility districts.

On October 1, 2006, the City of Fairview, contributed its water and wastewater systems and net assets to the Authority. The Authority's additional service area includes all geographic areas in which the City of Fairview enjoyed rights to service, including all areas within the City of Fairview's "urban growth boundary" as defined by Tennessee Code Annotated 6-58-101(6). Under the terms of an interlocal agreement between the Authority and Hickman County, Tennessee, the Authority's service area also includes the northeastern region of Hickman County.

The Authority's operations alone constitute the reporting entity since the Authority is not financially accountable for any other entities, and the Authority has no relationships with any other entities where the nature and significance of the relationships would require inclusion in the financial statements of the Authority. The Authority does not have the power to levy or collect a tax and is exempt from federal income tax and all state, county and municipal taxes. No other board or commission has jurisdiction over the Authority in the management and control of any waterworks including regulation of its rates, fees or charges.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 2 - Summary of significant accounting policies:

#### Basis of presentation, measurement focus, and basis of accounting

The accounts of the Authority are an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

In 2012, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* (Statement No. 63) that established reporting standards for deferred outflows of resources and deferred inflows of resources for all state and local governmental entities. Statement No. 63 amends the net asset reporting requirements in Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"* by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Statement No. 63 requires the Authority to classify its net position into three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.
- Restricted - consists of restricted assets, with constraints placed on their use by contractual agreement with other parties, revenue bonds and loan resolutions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 2 - Summary of significant accounting policies - continued:

#### Basis of presentation, measurement, focus, and basis of accounting- continued

- Unrestricted - consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement No. 63 defines deferred outflows of resources as a consumption of net assets by the government that is applicable to a future reporting period, and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. At December 31, 2012 and 2011, the Authority did not have deferred outflows of resources and deferred inflows of resources, as defined in the Statement No. 63, reported in the balance sheets.

Measurement focus is a term used to describe which transactions are recorded in the financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The accompanying financial statements of the Authority are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### Regulatory accounting

The Authority follows proprietary fund accounting in accordance with GASB pronouncements. Proprietary fund accounting is used to report business-type activities as contrasted with tax-supported governmental activities.

The Authority also complies with policies and practices prescribed by the Board and to practices common in the water and wastewater industry. As the Board has the authority to set rates, the Authority follows GASB Statement No. 62 regulated accounting guidance, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the rate-making process. Regulatory liabilities are recorded to reflect probable future reduction in revenues associated with amounts that are expected to be credited to customers in the rate-making process.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 2 - Summary of significant accounting policies - continued:

#### Cash and cash equivalents

The Authority's cash includes cash on hand, demand deposits, and highly liquid investments (including restricted assets) with maturities of three months or less from the date of acquisition.

#### Receivables

The Authority's receivables consist of billed charges to customers and unbilled charges net of an allowance for doubtful accounts. Unbilled revenues represent the estimated receivable amount for services that have not been billed to customers at the balance sheet date. The amounts are a result of a timing difference between the end of the financial statement cycle (month end) and the billing cycle (various dates within the month for each billing period).

#### Investments

Investments, as presented in the balance sheet, consist of bank certificates of deposit with a maturity in excess of three months from the date of acquisition.

#### Inventories

Inventories are comprised of materials and supplies and are valued at average inventory cost.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 2 - Summary of significant accounting policies - continued:

#### Utility plant and depreciation

Utility plant assets which consist of water plant, wastewater plant, and general plant, are carried at cost. Donated utility plant is stated at estimated fair value on the date donated. Utility plant assets held for sale are reported at the lower of cost less accumulated depreciation or fair value. Utility plant assets are defined by the Authority as a unit of property with an individual cost greater than \$1,000 and an estimated useful life of one year or more. Interest is capitalized in connection with the construction of significant utility plant projects. The construction period interest is recorded as part of the cost of the asset to which it relates and is amortized over the asset's estimated useful life. During 2012, interest incurred totaled \$1,296,386 (excluding amortization of bond premiums and loss on defeased bonds), of which \$37,940 was capitalized as part of the cost of utility plant. During 2011, interest incurred totaled \$1,374,512 (excluding amortization of bond premiums and loss on defeased bonds) of which \$49,340 was capitalized as part of the cost of utility plant. The cost of normal repairs of property and the replacements and renewal of items considered less than units of property are charged to maintenance expense. Units of property replaced or retired are credited to the utility plant accounts and charged to accumulated depreciation.

Depreciation of utility plant is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable utility plant assets are as follows:

	<u>Depreciable life</u>
Water plant	7 - 50 years
Wastewater plant	5 - 50 years
General plant	5 - 40 years

#### Debt issuance costs

Debt issuance costs are capitalized and amortized using the straight-line method over the term of the debt. Amortization totaled \$33,668 for 2012 and 2011. Future amortization of debt issuance costs totals \$33,668 for 2013 through 2021 and \$12,042 in 2022.

#### Bond premiums and loss on defeased bonds

Bond premiums and loss on defeased bonds are amortized to interest expense using the interest method over the term of the debt. Amortization credited to interest expense totaled \$16,060 for 2012 and \$17,249 for 2011.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 2 - Summary of significant accounting policies - continued:

#### Revenues and expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges to customers for water and wastewater services. Non-operating revenues and expenses are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

When an expense incurred has both restricted and unrestricted purposes, the Authority's policy is to apply those expenses first to restricted net position to the extent they are available and then to unrestricted net position.

#### Income taxes

The Authority is a public and governmental body created by the authority of the Chapter 124 of the Tennessee Private Acts of 1990, as amended by Chapter 51, and is, therefore, not a tax-paying entity for United States of America federal or state income tax purposes. No events or transactions have occurred that would impact the tax exempt status of the accompanying financial statements.

#### Subsequent events

The Authority has evaluated subsequent events through May 10, 2013, which is the date these financial statements were available to be issued.

#### Reclassifications

Certain reclassifications have been made in the 2011 financial statements to make them comparable to the 2012 financial statement presentation.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 3 - Deposits and investments:

The Authority is authorized by law to invest idle funds in obligations of the U.S. Government and non-convertible debt securities of the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and other obligations guaranteed by the U.S. Government or any of its agencies, provided the securities are rated in the highest category by, at least, two nationally recognized rating services. The Authority is also authorized to invest in secured certificates of deposit and other evidences of deposit at state and federal chartered banks and savings and loan associations. State statutes require the Authority's investments to have a maturity of not greater than forty-eight months from the date of the investment. However, such investments may have a maturity of greater than forty-eight months from the date of investment if such maturity is approved by the state director of local finance. The Authority also may invest in obligations of the U.S. Government or its agencies under a repurchase agreement, if those investments are approved by the state director of local finance. Finally, the Authority may invest in the local government investment pool created by Title 9, Chapter 4, Part 7, *Tennessee Code Annotated*.

The Authority has not adopted a policy that restricts the maturities of their investments beyond the requirements of state statutes. Also, the Authority has not adopted formal policies to restrict credit risk and custodial risk beyond requirements of state statute. In addition, the Authority has not adopted a formal policy to limit the amount the Authority may invest in any one issuer.

At December 31, 2012 the Board of the Authority has designated \$1,942,570 of unrestricted cash and cash equivalents for water and wastewater system improvements in future years, which is included in unrestricted net position in the balance sheets. At December 31, 2011 the designated unrestricted cash and cash equivalents balance was \$1,607,968.

# WATER AUTHORITY OF DICKSON COUNTY

## Notes to Financial Statements - Continued

### December 31, 2012 and 2011

#### Note 4 - Utility plant:

Utility plant at December 31, 2012 and 2011 and changes during 2012 consist of the following:

	Balance 2011	Additions	Reductions	Balance 2012
Utility plant not being depreciated:				
Land and improvements	\$ 2,311,025	\$ 29,068	\$ -	\$ 2,340,093
Construction in progress	555,320	3,658,485	(2,540,449)	1,673,356
	<u>2,866,345</u>	<u>3,687,553</u>	<u>(2,540,449)</u>	<u>4,013,449</u>
Other utility plant being depreciated:				
Water plant	65,047,903	1,545,561	(41,596)	66,551,868
Wastewater plant	50,130,524	1,788,444	(135,292)	51,783,676
General plant	6,102,281	107,606	(88,303)	6,121,584
	<u>121,280,708</u>	<u>3,441,611</u>	<u>(265,191)</u>	<u>124,457,128</u>
Less accumulated depreciation:				
Water plant	(35,223,933)	(2,450,582)	102,398	(37,572,117)
Wastewater plant	(12,349,578)	(1,837,520)	162,793	(14,024,305)
	<u>(47,573,511)</u>	<u>(4,288,102)</u>	<u>265,191</u>	<u>(51,596,422)</u>
Net utility plant	<u>\$ 76,573,542</u>	<u>\$ 2,841,062</u>	<u>\$ (2,540,449)</u>	<u>\$ 76,874,155</u>

For the year ended December 31, 2012, increases to accumulated depreciation totaled \$4,288,102. This amount includes depreciation expense of \$4,277,446 and an increase of \$10,656 for salvage value received from utility plant disposals.

Utility plant at December 31, 2011 and 2010 and changes during 2011 consist of the following:

	Balance 2010	Additions	Reductions	Balance 2011
Utility plant not being depreciated:				
Land and improvements	\$ 2,310,976	\$ 49	\$ -	\$ 2,311,025
Construction in progress	709,862	-	(154,542)	555,320
	<u>3,020,838</u>	<u>49</u>	<u>(154,542)</u>	<u>2,866,345</u>
Other utility plant being depreciated:				
Water plant	63,419,310	1,645,322	(16,729)	65,047,903
Wastewater plant	48,781,342	1,538,918	(189,736)	50,130,524
General plant	6,138,757	159,097	(195,573)	6,102,281
	<u>118,339,409</u>	<u>3,343,337</u>	<u>(402,038)</u>	<u>121,280,708</u>
Less accumulated depreciation:				
Water plant	(32,986,239)	(2,392,799)	155,105	(35,223,933)
Wastewater plant	(10,798,303)	(1,798,208)	246,933	(12,349,578)
	<u>(43,784,542)</u>	<u>(4,191,007)</u>	<u>402,038</u>	<u>(47,573,511)</u>
Net utility plant	<u>\$ 77,575,705</u>	<u>\$ (847,621)</u>	<u>\$ (154,542)</u>	<u>\$ 76,573,542</u>



# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 4 - Utility plant - continued:

For the year ended December 31, 2011, increases to accumulated depreciation totaled \$4,191,007. This amount includes depreciation expense of \$4,152,209 and an increase of \$38,798 for salvage value received from utility plant disposals.

The Authority is currently the lessor of land and a building for a monthly rent income of \$1,321. The Authority has granted the lessee an option to purchase the land and building at a purchase price of approximately \$193,000 which must be exercised by the lessee prior to the lease expiration date, which is presently August 31, 2015. The net carrying value of the land and building totals approximately \$57,000 at December 31, 2012. The minimum future lease payments to be received for each of the next three years totals \$15,852 for the year ending December 31, 2013 through 2014 and \$10,568 for the year ending December 31, 2015.

In 2007, the Authority entered into a Utility Relocation Contract with the Tennessee Department of Transportation (TDOT) to relocate the Authority's water and wastewater lines in conjunction with a state highway construction project. The utility relocation project started in March 2011 and was completed in April 2012. The TDOT utility relocation project cost of approximately \$691,000 was recognized as a capital contribution in the statement of revenues, expenses and changes in net position, and as utility plant in the balance sheet as of December 31, 2012.

# WATER AUTHORITY OF DICKSON COUNTY

## Notes to Financial Statements - Continued

### December 31, 2012 and 2011

#### Note 5 - Long-term debt:

At December 31, 2012 and 2011, long-term debt consists of the following:

	<u>2012</u>	<u>2011</u>
Waterworks System Revenue Bonds, Series 2002, maturing in series between December 1, 2003 and 2022 bearing stated interest rates of 3.0% to 5.0% with interest payable semi annually on June 1 and December 1 of each year.	\$ 12,500,000	\$ 13,500,000
Various notes payable to the State of Tennessee, Wastewater Facility Revolving Loan Fund, due in monthly installments ranging from \$1,269 to \$57,634, including fixed interest ranging from 1.11% to 3.53%, and maturing from November 2015 to December 2030.	6,072,687	6,011,327
Waterworks Revenue Bond Phase I, Series 2003, due in monthly installments of \$18,360, including interest at 4.50%, maturing May 2041.	3,523,084	3,582,899
Waterworks Revenue Bond Phase II, Series 2003, due in monthly installments of \$18,360, including interest at 4.50%, maturing June 2041.	3,527,805	3,587,414
Two notes payable to a financial institution, due in monthly installments of \$8,752 and \$14,538, including fixed interest at 4.199% and 4.35%, maturing October 2014 and November 2027.	2,087,491	2,270,324
Note payable to a financial institution due in monthly installments of interest only at 2.39% and a balloon principal payment due June 2015.	1,616,137	1,632,971
Note payable to a financial institution due in monthly installments of \$1,135, bearing no interest, maturing October 2014.	<u>24,904</u>	<u>38,529</u>
	29,352,108	30,623,464
Less current maturities - net of current year amortization	(1,961,145)	(3,569,708)
Less unamortized loss on defeasance	(19,710)	(23,523)
Plus unamortized bond premium	<u>102,716</u>	<u>122,589</u>
	<u>\$ 27,473,969</u>	<u>\$ 27,152,822</u>

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 5 - Long-term debt - continued:

In 2002, the Authority issued \$23,000,000 in Waterworks System Revenue Bonds, Series 2002. These bonds were issued to finance the costs of the Authority's water and wastewater system plant additions, refund the Authority's Bond Anticipation Notes, and liquidate certain debts assumed in a merger with other water utilities. The Series 2002 bonds are issued as fully registered bonds. The payment of principal and interest on the Series 2002 bonds is guaranteed by an insurance policy issued by Financial Guaranty Insurance Company. In accordance with the bond resolution authorizing the issuance of the Series 2002 bonds, the Authority is required to maintain a debt service fund. Monthly cash transfers are to be made to the debt service fund to have sufficient cash to pay the interest due on the next succeeding interest payment date and the principal due on the next succeeding principal payment date. The debt service fund is restricted for specific purposes and, therefore, is presented as a restricted asset in the balance sheets.

The Series 2002 bond resolution also provides for a reserve fund. The Authority is authorized to obtain a surety bond from an insurer rated in the highest rating category by specified rating agencies in lieu of funding the reserve fund requirement, which the Authority has elected to do. The rating agencies have downgraded the rating category of the insurer, as a result, under the terms of the bond resolution, the Authority is required to either obtain a surety bond from an insurer with the highest rating category or fund the reserve fund requirement within twelve months. The Authority has elected to fully fund the reserve fund requirement of \$1,670,000 at December 31, 2012. The reserve fund is restricted for specific purposes and, therefore, is presented as a restricted asset in the balance sheets.

Under the most restrictive covenant of the bond resolution, the Authority is required to establish rates to its customers in order to maintain a debt service coverage ratio (as defined) of not less than 1.1 to 1. In October 2009, the Authority approved a resolution to incorporate the financial results of the water and wastewater system formerly owned and operated by the City of Fairview, Tennessee into the water and wastewater system of the Authority for the purpose of evaluating compliance with covenants of the Series 2002 bond resolution.

As of December 31, 2011, the Authority was also obligated under the terms of six State of Tennessee wastewater facility revolving loans for wastewater line extensions. In 2012, the Authority entered into a new loan agreement under the terms of wastewater facility revolving fund loan program to finance wastewater line extensions and facility upgrade projects (the projects). Under this agreement, the Authority will obtain funding not to exceed \$10,000,000, of which \$8,000,000 will be repaid in monthly installments over a twenty-year period, and the remaining \$2,000,000 is a grant to the Authority.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 5 - Long-term debt - continued:

Currently the Authority is making interest only payments on the outstanding loan balance with principal payments starting in January 2014, the projects estimated completion date. At December 31, 2012, under the terms of the loan agreement, the Authority has borrowed approximately \$673,000.

In 2003, the Authority obtained two loans from the U.S. Department of Agriculture, Rural Utility Service through the issuance of Waterworks Revenue Bonds Phase I and Phase II to finance a water treatment plant and transmission mains (Phase I), raw water intake, two water storage tanks and pump station (Phase II). Each bond is for \$4,000,000, and requires monthly installments of \$18,360, including interest at a 4.5% fixed annual rate, through 2041. The bonds are subordinated to any other outstanding bonds of the Authority, and the bond resolutions prohibit defeasance of the bond so long as the U.S. Government is the holder of the bonds. The bonds require the Authority to establish debt service reserve funds. The Authority is required on each bond to deposit \$22,032 annually into the debt service reserve fund up to a maximum amount of \$220,032. As of December 31, 2012, the Authority has funded \$426,394 of the debt service fund requirement for these two bonds. As funds are restricted for specific purposes they are presented as restricted assets in the balance sheets.

The previously discussed bonds and loans payable are secured by a pledge of the net revenues of the Authority's water and wastewater systems. Four out of seven loans payable to the State of Tennessee were assumed in the Authority's merger with the City of Dickson, Tennessee (the City) Water and Wastewater Department in 2002. The City has pledged its state-shared revenues or has backed these obligations with the full faith and credit of the City. Should the City be required to expend funds for the payment of principal or interest on these obligations in the event of default by the Authority, the City has recourse against the assets of the Authority. Under an agreement with the City regarding these obligations, the Authority is required to establish a security deposit equal to the highest annual debt service for the remaining term of the obligations.

During 2007, the Authority fully funded the security deposit with the state of Tennessee. The security deposit is included as a restricted asset on the balance sheets. To release the City of its liability to the State of Tennessee under these notes, the Authority is also required to establish rates to its wastewater customers in order to maintain a debt service coverage ratio of 1.2 to 1. Under the state of Tennessee Wastewater Facility Revolving Loans program, the Authority is also required to establish a security deposit equal to the maximum annual debt service for the remaining three loans payable to the State of Tennessee. The security deposit is included as a restricted asset in the balance sheets.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 5 - Long-term debt - continued:

In October 2009, the Authority executed a note payable to a bank in the amount of \$1,805,000, with the principal amount payable at maturity in April 2012 and interest paid monthly at an annual interest rate of 2.39%. As of December 31, 2011, the Authority retired \$172,029 of principal on the note in advance of the due date. In April 2012 (at maturity), the remaining balance of \$1,632,971 was financed as a new note agreement for an additional three-year period. The principal amount is payable at maturity in June 2015 with interest paid monthly at an annual interest rate of 2.39%. The note proceeds were deposited in a separate account with the bank for the purpose of complying with the reserve fund requirements of the Waterworks System Revenue Bonds, Series 2002. The note is secured by the balance of funds in the separate account, secondary to the first priority lien on the account for the benefit of the current holders of Series 2002 bonds.

In October 2011, the Authority entered into a financing agreement with a financial institution for the purchase of equipment in the amount of \$40,800. The note is payable in monthly payments through October 2014. The equipment is pledged as security interest for the note.

Principal and interest payments to be made on the long-term debt discussed above at December 31, 2012, for each of the next five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,961,145	\$ 1,212,005	\$ 3,173,150
2014	2,334,259	1,144,588	3,478,847
2015	3,939,971	1,026,476	4,966,447
2016	2,143,548	917,316	3,060,864
2017	2,078,436	825,496	2,903,932
2018 - 2022	9,838,595	2,805,579	12,644,174
2023 - 2027	2,345,078	1,256,813	3,601,891
2028 - 2032	1,624,199	863,357	2,487,556
2033 - 2037	1,686,505	516,695	2,203,200
2038 - 2041	<u>1,400,373</u>	<u>123,514</u>	<u>1,523,887</u>
Total	<u>\$ 29,352,109</u>	<u>\$ 10,691,839</u>	<u>\$ 40,043,948</u>

# WATER AUTHORITY OF DICKSON COUNTY

## Notes to Financial Statements - Continued

### December 31, 2012 and 2011

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#### Note 6 - Capital leases:

The Authority is the lessee of a general plant and wastewater plant equipment under capital leases beginning in May 2009 and expiring in September 2017. The assets and liabilities under the leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the equipment. The assets are amortized over the estimated productive life of the assets. Amortization of the assets under the capital leases is included in depreciation expense.

The following is a summary of equipment held under the capital leases at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
General and wastewater plant equipment	\$ 361,965	\$ 122,300
Less: accumulated depreciation	<u>(47,839)</u>	<u>(32,613)</u>
	<u><u>\$ 314,126</u></u>	<u><u>\$ 89,687</u></u>

At December 31, 2012, the minimum future lease payments under capital leases for each of the next five years and in the aggregate are:

<u>Year Ending December 31,</u>	
2013	\$ 79,860
2014	61,690
2015	52,603
2016	52,603
2017	<u>39,452</u>
Total minimum lease payments	286,208
Less amount representing interest	<u>(22,287)</u>
Present value of net minimum lease payments	263,921
Less current maturities	<u>(71,064)</u>
Long-term capital lease obligation	<u><u>\$ 192,857</u></u>

The interest rates on the capital leases range from 3.72% to 4.50% per annum.

# WATER AUTHORITY OF DICKSON COUNTY

## Notes to Financial Statements - Continued

### December 31, 2012 and 2011

#### Note 7 - Changes in long-term liabilities:

Long-term liability activity for the years ended December 31, 2012 and 2011 is as follows:

	Notes and revenue bonds payable	Unamortized loss on defeasance and bond premium	Capital leases	Total long-term liabilities
Balance, December 31, 2010	\$ 32,530,618	\$ 116,315	\$ 84,228	\$ 32,731,161
Additions	58,870	-	-	58,870
Reductions	(1,966,024)	(17,249)	(23,957)	(2,007,230)
Balance, December 31, 2011	30,623,464	99,066	60,271	30,782,801
Additions	672,723	-	239,665	912,388
Reductions	(1,944,078)	(16,060)	(36,015)	(1,996,153)
Balance, December 31, 2012	<u>\$ 29,352,109</u>	<u>\$ 83,006</u>	<u>\$ 263,921</u>	<u>\$ 29,699,036</u>
Amounts due within one year at December 31, 2013	\$ 1,961,145	\$ 14,870	\$ 71,064	\$ 2,047,079

#### Note 8 - Risk management:

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority participates in the Tennessee Municipal League Risk Management Pool (the Pool). The Pool operates as a common risk-sharing pool by which governments pool risks and funds and share in the cost of losses. The Authority pays annual premiums to the Pool for its general liability coverage, errors or omissions liability, auto liability, workers' compensation, and property coverage. The Authority's workers' compensation coverage is retrospectively rated, whereby premiums are accrued based on the ultimate cost of the experience of the Authority. The Pool pays claims as they arise. The Pool has the right to assess participants for loss experience in excess of premiums collected.

The Authority is covered by the Tennessee Governmental Tort Liability Act, which generally limits the Authority's liability for death, bodily injury and property damage claims to the amount of the Authority's insurance coverage as such claims since such coverage exceeds the minimum amounts required by the Act. There have been no changes to insurance coverage in 2012 from the coverage in 2011. There was a significant decrease of approximately \$14,500,000 in property and crime insurance coverage in 2011 from the coverage in 2010. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 8 - Risk management - continued:

Effective June 1, 2010, the Authority adopted the Health Reimbursement Arrangement Plan (the HRA Plan), an employer-provided medical reimbursement plan under Internal Revenue Code Sections 105 and 106 and the related regulations, and as a health reimbursement arrangement as defined under Internal Revenue Service Notice 2002-45. The HRA Plan's participant must be any eligible employee of the Authority who is enrolled in the Authority's high deductible health plan. Eligible employees may enroll for medical coverage for themselves and their eligible dependents within the first 31 days after becoming eligible for medical coverage. When the eligible employee becomes a plan participant, a Health Reimbursement Arrangement (HRA) account will be established for the participant to receive benefits in the form of reimbursement for eligible medical care expenses incurred by the participant and qualified dependents during the period of coverage. There are no employee contributions for the benefits under the HRA Plan.

The employer will fund the entire amount of the HRA accounts. The HRA accounts will merely be record-keeping accounts with the purpose of keeping track of contributions and available reimbursement amounts. If any balance remains in the participant's HRA account for a period of coverage after all reimbursements have been made for the same period, such balance shall remain the property of the employer. A participant will cease to be a participant as of the earliest of (a) the date on which the Plan terminates or (b) the date on which the employee ceases to be an eligible employee.

During the year ended December 31, 2012 and 2011, the maximum annual benefit allowed for employee-only coverage is \$1,375 of eligible medical care expenses applicable to the annual out-of-pocket amount, and for employees with qualified dependents coverage is \$2,750 of eligible medical expenses applicable to the annual out-of-pocket amount. The employee is responsible for the first \$250 of annual eligible medical care expense per covered family member (maximum of two) and 50% of the next \$2,750 (maximum of two) with a maximum out-of-pocket of \$1,625 per employee (maximum of two). The remaining 50% of the \$2,750 will be reimbursed by the HRA Plan account equal to \$1,375 of eligible medical care expenses per covered family member (maximum of two) applicable to the annual out-of-pocket amount.

Incurred claims liability include an amount for claims that have been incurred but not reported (not paid) as of year-end. Changes in the Authority's claims liability amount for the last three fiscal years are as follows:



# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 8 - Risk management - continued:

<u>Dollars in Thousands</u>				
<u>Year ended</u> <u>December 31,</u>	<u>Liability</u> <u>beginning of year</u>	<u>Incurred</u> <u>claims</u>	<u>Claims</u> <u>payments</u>	<u>Liability</u> <u>end of year</u>
2012	\$ 2,457	\$ 55,549	\$ 54,875	\$ 3,131
2011	\$ -	\$ 53,467	\$ 51,010	\$ 2,457
2010	\$ -	\$ 22,466	\$ 22,466	\$ -

#### Note 9 - Compensated absences:

The Authority allows full time employees to accumulate vacation leave up to 320 hours. Accumulated vacation leave may be taken or paid upon termination or retirement. Also, all full time employees earn 96 hours of sick leave each year. Sick leave accumulates and carries forward from year to year of employment without limit. Sick leave may be taken due to illness, and unused sick leave will be forfeited upon termination of employment. However, subject to the terms of the retirement plan of the Authority, any forfeited sick leave hours will be credited towards hours of service under the retirement plan for the purpose of any early, normal or late retirement under the plan. The accruals for compensated absences reflected in the accompanying financial statements at December 31, 2012 and 2011 as current liabilities consist only of accumulated vacation leave. The retirement plan of the Authority is a single-employer defined benefit pension plan, as such, the forfeited sick leave hours credited towards hours of service are considered in determining the Authority's future pension obligations.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 10 - Retirement plan:

Employees of the Authority who are at least eighteen years of age and who have completed six months of service are eligible to participate in the Water Authority of Dickson County Defined Benefit Pension Plan (the Plan), a single-employer defined benefit pension plan established on May 20, 2002. Existing employees on May 20, 2002 were given past service credit. New employees of the Authority, who were former employees of the City of Fairview, are considered as new participants in the Plan with no credit for prior service. The Plan provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high consecutive five-year average salary and years of service. Members become eligible to retire with benefits at the age of sixty-five with five years of service. The interest of a participant in his or her accrued benefit becomes twenty percent vested after each year of service and 100% vested after five years of service. The Board of Commissioners of the Authority establishes the Plan's benefit provisions, contribution rates and also serves as the Plan administrator.

The Plan is a noncontributory plan; participants are not required to contribute toward the cost of their retirement benefits. The Authority is required to contribute at an actuarially determined rate. For the Plan year ending May 19, 2013, the required minimum contribution rate is 10.60% of annual covered payroll, and the Authority's annual pension cost of \$314,270 is equal to the Authority's required contribution. The Authority's actual contribution was \$370,000. The required contribution was determined as part of a May 20, 2012 actuarial valuation using the collective aggregate actuarial cost method. Under this method, the actuarial accrued liability is equal to the actuarial value of assets.

For the Plan year ended May 19, 2012, the required minimum contribution rate was 10.07% of annual covered payroll, and the Authority's annual pension cost of \$295,072 was equal to the Authority's required contribution. The Authority's actual contribution was \$392,395.

As of May 20, 2012 and 2011, the significant actuarial assumptions used in the valuation include: (1) rate of return on investment of present and future assets of 7.0% a year for pre-retirement and post-retirement valuation assumptions; and (2) the projected salary increases of 3.0% per year. The following table shows the components of the Authority's annual pension cost, the amount actually contributed to the plan and changes in the Authority's net pension assets (obligation) for 2012 and 2011.

# WATER AUTHORITY OF DICKSON COUNTY

## Notes to Financial Statements - Continued

December 31, 2012 and 2011

### Note 10 - Retirement plan - continued:

	2012	2011
Annual required contribution (ARC)	\$ 293,710	\$ 275,768
Interest on net pension obligation	20,560	19,304
Annual pension cost	314,270	295,072
Contributions made	(370,000)	(392,395)
Decrease in net pension obligation	(55,730)	(97,323)
Net pension asset - beginning of year	(168,363)	(71,040)
Net pension asset - end of year	<u>\$ (224,093)</u>	<u>\$ (168,363)</u>

The following is a schedule of the available trend information for the Authority:

Fiscal year ending May 20,	Annual pension cost (APC)	Actual contribution	Percentage of APC contributed	Net pension assets (obligation)
2013	\$ 314,270	\$ 370,000	117.7 %	\$ 224,093
2012	\$ 295,072	\$ 392,395	133.0 %	\$ 168,363
2011	\$ 298,960	\$ 370,000	123.8 %	\$ 71,040

Actuarial valuations are prepared each year as of May 20.

The annual pension cost was calculated using the collective aggregate actuarial cost method. GASB requires the Plan to prepare the schedule of funding progress using the entry age actuarial cost method. Since the collective aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the Plan.

The schedule of funding progress presents multi-year trend information showing whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 10 - Retirement plan - continued:

The following is a schedule of funding progress for the Authority:

Actuarial valuation date	Actuarial value of plan assets	Actuarial accrued liability (AAL)	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
5/20/12	\$ 2,007,665	\$ 2,766,678	\$ 759,013	73 %	\$ 2,771,352	27 %
5/20/11	\$ 1,962,397	\$ 2,487,814	\$ 525,417	79 %	\$ 2,738,091	19 %
5/20/10	\$ 1,309,550	\$ 2,047,141	\$ 737,591	64 %	\$ 2,623,977	28 %

### Note 11 - Commitments:

The Authority is a party to a contract with the Sylvia-Tennessee City-Pond Utility District (Sylvia) wherein the Authority is obligated to provide (and Sylvia to purchase) a minimum of 7,200,000 gallons of water per month. The contract is for a 40-year term expiring January 2040. The rate charged to Sylvia is presently \$3.95 per thousand gallons.

The Authority has entered into agreements, which expire during 2013, with the City of Charlotte, Tennessee and the Town of White Bluff, Tennessee, wherein the Authority has agreed to provide wastewater billing services for these municipalities at a rate of \$1.37 per customer per month.

In connection with the transfer of the water and wastewater systems from the City of Fairview, Tennessee to the Water Authority of Dickson County, the Authority is obligated to purchase treated water from Harpeth Valley Utility District. Presently, the Authority is required to purchase a minimum of 11,200,000 gallons of treated water per month at \$2.20 per thousand gallons of water. The agreement expires in 2019.

In April 2007, the Authority entered into a contract for sale of water to Bon Aqua-Lyles Utility District of Hickman County, Tennessee (Bon Aqua-Lyles). Under the contract, the Authority is obligated to provide (and Bon Aqua-Lyles to purchase) up to a maximum of 250,000 gallons of treated potable water per day at a rate of \$1.71 per thousand gallons. In November 2009, the Authority increased the treated potable water rate to \$2.83 per thousand gallons. In April 2010, the Authority increased the treated potable water rate to \$3.95 per thousand gallons. The contract is for a 20-year term expiring January 2028.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

### *December 31, 2012 and 2011*

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#### Note 11 - Commitments - continued:

In 2012, the Authority entered into several construction contracts related to wastewater line extension and facility upgrade projects of approximately \$3,681,000 financed with obligations under the terms of Wastewater Facility Revolving Fund Loan Program and grant funds. During 2012, the Authority has spent approximately \$1,734,000 out of committed funds, with the remaining balance of approximately \$1,947,000 outstanding commitments at December 31, 2012.

#### Note 12 - Subsequent events:

In September 2012, the Authority was awarded a federal grant in the amount of \$242,000 from the U.S. Environmental Protection Agency to fund the construction of drinking water mains with the estimated total project cost of approximately \$681,000. The Authority expects to start the construction and complete the project in 2013.

In March 2013, the Board approved an initial resolution authorizing the issuance of an amount not to exceed \$30,000,000 in revenue refunding and improvement bonds (the Bonds) of the Authority for the purpose of refinancing certain outstanding indebtedness of the Authority and reimbursing the Authority for capital project expenditures. These Bonds will be payable solely from and secured by a pledge of the net revenues of the Authority's water and wastewater systems, subject to prior pledge of such net revenues in favor of any prior outstanding indebtedness.

In March 2013, the Board approved the water treatment plant improvement project with an estimated cost of approximately \$1,550,000 financed with the Authority's funds.

#### Note 13 - New accounting pronouncement:

GASB has issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, with effective implementation date for financial statements with periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements to be included in the financial statements, including deferred outflows of resources and deferred inflows of resources.

# WATER AUTHORITY OF DICKSON COUNTY

## *Notes to Financial Statements - Continued*

***December 31, 2012 and 2011***

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### Note 13 - New accounting pronouncement - continued

For the year ended December 31, 2012 and 2011, the Authority implemented GASB Statement No. 63, as disclosed in the Note 2, which defined deferred outflows of resources and deferred inflows of resources, in addition to other changes of Statement No. 63. Statement No. 65 introduces and further defines the four elements of the financial statements as follows:

- Assets - Resources with present service capacity that the government presently controls.
- Outflow of resources (expenses) - A consumption of net assets by the government that is applicable to the reporting period.
- Liabilities - Present obligations to sacrifice resources that the government has little or no discretion to avoid.
- Inflow of resources (revenues) - An acquisition of net assets by the government that is applicable to the reporting period.

In addition, among other potential reclassifications, Statement No. 65 requires the debt issuance costs to be recognized as outflows of resources (expenses) in the year the cost is incurred instead of being recognized as an asset in the balance sheet, as previously reported.

The Authority is required to implement Statement No. 65 for the year ending December 31, 2013, which must be implemented retroactively by restating financial statements, if practical, for each period presented.

## SUPPLEMENTAL INFORMATION

# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Expenditures of Federal Awards and State Financial Assistance*

GRANTOR	CFDA NO.	PASS-THROUGH ENTITY	STATE CONTRACT NO.	FEDERAL/STATE	BEGINNING BALANCE	CASH RECEIPTS	EXPENDITURES	ENDING BALANCE
U.S Department of Homeland Security:								
<u>Pass-through programs:</u>								
Disaster Grants - Public assistance (Presidentially Declared Disasters)	97.036	Tennessee Emergency Management Agency	34101-6486	Federal	\$ (32,794)	\$ -	\$ -	\$ (32,794)
Total U.S. Department of Homeland Security					(32,794)	-	-	(32,794)
U.S. Environmental Protection Agency:								
<u>Pass-through programs:</u>								
Capitalization Loans for Clean Water State Revolving Fund	66.458	State of Tennessee, Department of Environment and Conservation	CWO 2012-295	Federal	-	179,800	310,317	130,517
Capitalization Grants for Clean Water State Revolving Fund	66.458	State of Tennessee, Department of Environment and Conservation	CWO 2012-295	Federal	-	168,169	290,273	122,104
Total U.S. Environmental Protection Agency					-	347,969	600,590	252,621
				Total Federal Awards:	(32,794)	347,969	600,590	219,827
	N/A	State of Tennessee, Department of Environment and Conservation	CWO 2012-295	State	-	492,923	850,776	357,853
				Total State Awards:	-	492,923	850,776	357,853
					<u>\$ (32,794)</u>	<u>\$ 840,892</u>	<u>\$ 1,451,366</u>	<u>\$ 577,680</u>

### Note 1 - Loans outstanding:

At December 31, 2012, there is an outstanding balance of \$6,072,687 on various loans obtained through the State of Tennessee Revolving Loan Fund. These loans are federally funded with a range from 41% to 80% of the loan amount. Payments on these loans during 2012 totaled \$611,363. The Schedule of Expenditures of Federal Awards and State Financial Assistance include federally funded expenditures of \$130,517 and state funded expenditures of \$357,853 spent by the Authority as of December 31, 2012 and reimbursed after year-end from the borrowings under the State of Tennessee Revolving Loan Fund.

### Note 2 - Grant Receivables:

At December 31, 2012 and 2011, there is an outstanding receivable balance of \$8,029 and advanced proceeds of \$40,823 on Disaster Grants - Public Assistance (Presidentially Declared Disaster) presented as net amount of (\$32,794).

### Note 3 - Basis of presentation:

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the Water Authority of Dickson County under programs of the federal and state governments for the year ended December 31, 2012. The schedule is presented using the accrual basis of accounting.

See independent auditors' report.



# WATER AUTHORITY OF DICKSON COUNTY

## Schedule of Long-term Debt Principal Requirements

December 31, 2012

Principal Payments									Waterworks Revenue Bonds		Bank Notes				Total
	91-030	97-103	99-135	00-150	06-194	09-247	12-295	2002	Phase I	Phase II					
2013	\$ 330,468	\$ 138,150	\$ 67,272	\$ 19,680	\$ 11,556	\$ 64,056	\$ -	\$ 1,000,000	\$ 62,573	\$ 62,356	\$ 92,333	\$ -	\$ 99,076	\$ 13,625	\$ 1,961,145
2014	342,324	142,656	69,618	20,268	11,750	65,028	359,244	1,000,000	65,456	65,227	96,488	-	84,921	11,279	2,334,259
2015	354,606	147,318	72,054	20,874	11,946	66,018	313,479	1,100,000	68,473	68,234	100,831	1,616,138	-	-	3,939,971
2016	367,962	152,130	74,616	21,498	12,146	67,020	-	1,200,000	71,629	71,378	105,169	-	-	-	2,143,548
2017	281,893	157,092	77,220	22,140	12,349	68,040	-	1,200,000	74,929	74,671	110,102	-	-	-	2,078,436
2018	-	162,216	79,878	22,800	12,556	69,078	-	1,300,000	78,384	78,110	115,057	-	-	-	1,918,079
2019	-	167,508	82,668	23,484	12,766	70,128	-	1,300,000	81,996	81,710	120,236	-	-	-	1,940,496
2020	-	128,457	85,554	24,186	12,979	71,190	-	1,400,000	85,774	85,476	125,504	-	-	-	2,019,120
2021	-	-	87,948	24,912	13,197	72,270	-	1,500,000	89,728	89,416	131,296	-	-	-	2,008,767
2022	-	-	15,080	25,662	13,417	73,374	-	1,500,000	93,860	93,535	137,205	-	-	-	1,952,133
2023	-	-	-	26,376	13,642	74,490	-	-	98,188	97,845	143,380	-	-	-	453,921
2024	-	-	-	20,186	13,870	75,618	-	-	102,713	102,356	149,758	-	-	-	464,501
2025	-	-	-	-	14,102	76,770	-	-	107,447	107,072	156,573	-	-	-	461,964
2026	-	-	-	-	14,338	77,940	-	-	112,397	112,008	163,620	-	-	-	480,303
2027	-	-	-	-	14,578	79,122	-	-	117,578	117,169	155,942	-	-	-	484,389
2028	-	-	-	-	14,821	80,322	-	-	122,995	122,567	-	-	-	-	340,705
2029	-	-	-	-	15,069	81,546	-	-	128,665	128,217	-	-	-	-	353,497
2030	-	-	-	-	3,137	82,981	-	-	134,593	134,125	-	-	-	-	354,836
2031	-	-	-	-	-	-	-	-	140,797	140,306	-	-	-	-	281,103
2032	-	-	-	-	-	-	-	-	147,287	146,771	-	-	-	-	294,058
2033	-	-	-	-	-	-	-	-	154,072	153,538	-	-	-	-	307,610
2034	-	-	-	-	-	-	-	-	161,176	160,613	-	-	-	-	321,789
2035	-	-	-	-	-	-	-	-	168,602	168,014	-	-	-	-	336,616
2036	-	-	-	-	-	-	-	-	176,372	175,758	-	-	-	-	352,130
2037	-	-	-	-	-	-	-	-	184,502	183,858	-	-	-	-	368,360
2038	-	-	-	-	-	-	-	-	193,003	192,331	-	-	-	-	385,334
2039	-	-	-	-	-	-	-	-	201,898	201,196	-	-	-	-	403,094
2040	-	-	-	-	-	-	-	-	208,361	206,927	-	-	-	-	415,288
2041	-	-	-	-	-	-	-	-	89,636	107,021	-	-	-	-	196,657
	<u>\$ 1,677,253</u>	<u>\$ 1,195,527</u>	<u>\$ 711,908</u>	<u>\$ 272,066</u>	<u>\$ 228,219</u>	<u>\$ 1,314,991</u>	<u>\$ 672,723</u>	<u>\$ 12,500,000</u>	<u>\$ 3,523,084</u>	<u>\$ 3,527,805</u>	<u>\$ 1,903,494</u>	<u>\$ 1,616,138</u>	<u>\$ 183,997</u>	<u>\$ 24,904</u>	<u>\$ 29,352,109</u>

See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## Schedule of Long-term Debt Interest Requirements

December 31, 2012

Interest Payments									Waterworks Revenue Bonds		Bank Notes				Total
	91-030	97-103	99-135	00-150	06-194	09-247	12-295	2002	Phase I	Phase II					
2013	\$ 53,892	\$ 36,426	\$ 23,436	\$ 7,764	\$ 3,670	\$ 19,410	\$ -	\$ 625,000	\$ 157,747	\$ 157,964	\$ 82,118	\$ 38,626	\$ 5,952	\$ -	\$ 1,212,005
2014	42,036	31,920	21,090	7,176	3,476	18,432	17,231	575,000	154,864	155,093	77,963	38,626	1,681	-	1,144,588
2015	29,754	27,258	18,654	6,570	3,280	17,442	1,652	525,000	151,847	152,086	73,620	19,313	-	-	1,026,476
2016	16,398	22,446	16,092	5,946	3,080	16,440	-	470,000	148,691	148,942	69,281	-	-	-	917,316
2017	5,528	17,484	13,488	5,304	2,877	15,426	-	410,000	145,391	145,649	64,349	-	-	-	825,496
2018	-	12,360	10,830	4,644	2,670	14,394	-	350,000	141,936	142,210	59,393	-	-	-	738,437
2019	-	7,068	8,040	3,960	2,460	13,344	-	285,000	138,324	138,610	54,215	-	-	-	651,021
2020	-	2,475	5,154	3,258	2,247	12,276	-	220,000	134,546	134,844	48,946	-	-	-	563,746
2021	-	-	2,760	2,532	2,030	11,190	-	150,000	130,592	130,904	43,155	-	-	-	473,163
2022	-	-	38	1,782	1,809	10,092	-	75,000	126,460	126,785	37,246	-	-	-	379,212
2023	-	-	-	1,068	1,585	8,976	-	-	122,132	122,475	31,071	-	-	-	287,307
2024	-	-	-	387	1,356	7,842	-	-	117,607	117,964	24,693	-	-	-	269,849
2025	-	-	-	-	1,124	6,696	-	-	112,873	113,248	17,877	-	-	-	251,818
2026	-	-	-	-	888	5,532	-	-	107,923	108,312	10,831	-	-	-	233,486
2027	-	-	-	-	649	4,344	-	-	102,742	103,151	3,467	-	-	-	214,353
2028	-	-	-	-	405	3,138	-	-	97,325	97,753	-	-	-	-	198,621
2029	-	-	-	-	157	1,914	-	-	91,655	92,103	-	-	-	-	185,829
2030	-	-	-	-	2	864	-	-	85,727	86,195	-	-	-	-	172,788
2031	-	-	-	-	-	-	-	-	79,523	80,014	-	-	-	-	159,537
2032	-	-	-	-	-	-	-	-	73,033	73,549	-	-	-	-	146,582
2033	-	-	-	-	-	-	-	-	66,248	66,782	-	-	-	-	133,030
2034	-	-	-	-	-	-	-	-	59,144	59,707	-	-	-	-	118,851
2035	-	-	-	-	-	-	-	-	51,718	52,306	-	-	-	-	104,024
2036	-	-	-	-	-	-	-	-	43,948	44,562	-	-	-	-	88,510
2037	-	-	-	-	-	-	-	-	35,818	36,462	-	-	-	-	72,280
2038	-	-	-	-	-	-	-	-	27,317	27,989	-	-	-	-	55,306
2039	-	-	-	-	-	-	-	-	18,422	19,124	-	-	-	-	37,546
2040	-	-	-	-	-	-	-	-	11,959	13,393	-	-	-	-	25,352
2041	-	-	-	-	-	-	-	-	2,169	3,141	-	-	-	-	5,310
	<u>\$ 147,608</u>	<u>\$ 157,437</u>	<u>\$ 119,582</u>	<u>\$ 50,391</u>	<u>\$ 33,765</u>	<u>\$ 187,752</u>	<u>\$ 18,883</u>	<u>\$ 3,685,000</u>	<u>\$ 2,737,681</u>	<u>\$ 2,751,317</u>	<u>\$ 698,225</u>	<u>\$ 96,565</u>	<u>\$ 7,633</u>	<u>\$ -</u>	<u>\$ 10,691,839</u>

See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## Schedule of Long-term Debt Principal and Interest Requirements

December 31, 2012

Total Payments									Waterworks Revenue Bonds		Bank Notes				Total
	91-030	97-103	99-135	00-150	06-194	09-247	12-295	2002	Phase I	Phase II					
2013	\$ 384,360	\$ 174,576	\$ 90,708	\$ 27,444	\$ 15,226	\$ 83,466	\$ -	\$ 1,625,000	\$ 220,320	\$ 220,320	\$ 174,451	\$ 38,626	\$ 105,028	\$ 13,625	\$ 3,173,150
2014	384,360	174,576	90,708	27,444	15,226	83,460	376,475	1,575,000	220,320	220,320	174,451	38,626	86,602	11,279	3,478,847
2015	384,360	174,576	90,708	27,444	15,226	83,460	315,131	1,625,000	220,320	220,320	174,451	1,635,451	-	-	4,966,447
2016	384,360	174,576	90,708	27,444	15,226	83,460	-	1,670,000	220,320	220,320	174,450	-	-	-	3,060,864
2017	287,421	174,576	90,708	27,444	15,226	83,466	-	1,610,000	220,320	220,320	174,451	-	-	-	2,903,932
2018	-	174,576	90,708	27,444	15,226	83,472	-	1,650,000	220,320	220,320	174,450	-	-	-	2,656,516
2019	-	174,576	90,708	27,444	15,226	83,472	-	1,585,000	220,320	220,320	174,451	-	-	-	2,591,517
2020	-	130,932	90,708	27,444	15,226	83,466	-	1,620,000	220,320	220,320	174,450	-	-	-	2,582,866
2021	-	-	90,708	27,444	15,227	83,460	-	1,650,000	220,320	220,320	174,451	-	-	-	2,481,930
2022	-	-	15,118	27,444	15,226	83,466	-	1,575,000	220,320	220,320	174,451	-	-	-	2,331,345
2023	-	-	-	27,444	15,227	83,466	-	-	220,320	220,320	174,451	-	-	-	741,228
2024	-	-	-	20,573	15,226	83,460	-	-	220,320	220,320	174,451	-	-	-	734,350
2025	-	-	-	-	15,226	83,466	-	-	220,320	220,320	174,450	-	-	-	713,782
2026	-	-	-	-	15,226	83,472	-	-	220,320	220,320	174,451	-	-	-	713,789
2027	-	-	-	-	15,227	83,466	-	-	220,320	220,320	159,409	-	-	-	698,742
2028	-	-	-	-	15,226	83,460	-	-	220,320	220,320	-	-	-	-	539,326
2029	-	-	-	-	15,226	83,460	-	-	220,320	220,320	-	-	-	-	539,326
2030	-	-	-	-	3,139	83,845	-	-	220,320	220,320	-	-	-	-	527,624
2031	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2032	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2033	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2034	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2035	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2036	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2037	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2038	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2039	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2040	-	-	-	-	-	-	-	-	220,320	220,320	-	-	-	-	440,640
2041	-	-	-	-	-	-	-	-	91,805	110,162	-	-	-	-	201,967
	<u>\$ 1,824,861</u>	<u>\$ 1,352,964</u>	<u>\$ 831,490</u>	<u>\$ 322,457</u>	<u>\$ 261,984</u>	<u>\$ 1,502,743</u>	<u>\$ 691,606</u>	<u>\$ 16,185,000</u>	<u>\$ 6,260,765</u>	<u>\$ 6,279,122</u>	<u>\$ 2,601,719</u>	<u>\$ 1,712,703</u>	<u>\$ 191,630</u>	<u>\$ 24,904</u>	<u>\$ 40,043,948</u>

See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Operating Expenses*

*For the years ended December 31, 2012 and 2011*

	Water Division	
	2012	2011
Dickson County system:		
Operations and maintenance expenses -		
Source of supply	\$ 833,591	\$ 956,665
Water treatment plant	1,432,151	1,376,906
Transmission and distribution	1,441,701	1,430,242
Engineering	<u>238,547</u>	<u>218,642</u>
	3,945,990	3,982,455
Customer accounting and collection expenses	599,439	586,596
Administrative and general expenses	<u>455,742</u>	<u>493,566</u>
	5,001,171	5,062,617
The city of Fairview system:		
Operations and maintenance expenses	608,652	621,778
Administrative and general expenses	<u>19,122</u>	<u>20,661</u>
	<u>627,774</u>	<u>642,439</u>
	<u>\$ 5,628,945</u>	<u>\$ 5,705,056</u>
	Wastewater Division	
	2012	2011
Dickson County system:		
Operations and maintenance expenses -		
Collection	470,152	455,063
Pumping	203,241	288,375
Wastewater treatment plan	872,793	892,311
Engineering	46,438	6,106
Pretreatment	<u>34,263</u>	<u>58,893</u>
	1,626,887	1,700,748
Customer accounting and collection expenses	216,047	202,694
Administrative and general expenses	<u>43,075</u>	<u>48,329</u>
	1,886,009	1,951,771
The city of Fairview system:		
Operations and maintenance expenses	772,814	726,011
Administrative and general expenses	<u>31,437</u>	<u>26,105</u>
	<u>804,251</u>	<u>752,116</u>
	<u>\$ 2,690,260</u>	<u>\$ 2,703,887</u>

See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Water Rates, Wastewater Rates, and Number of Customers (Unaudited)*

*Year Ended December 31, 2012*

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### Dickson County Customer Rates:

#### Water Rates

##### Residential and commercial

Customer charge	\$	3.10	
	\$	6.50	Per 1,000 gallons

Wholesale rate	\$	3.95	Per 1,000 gallons
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High Volume - water consumption above 500,000 gallons per month

Customer charge	\$	100.00	
	\$	5.90	Per 1,000 gallons

#### Wastewater Rates

##### Residential and commercial

Customer charge	\$	1.80	
	\$	6.75	Per 1,000 gallons

High Volume - water consumption above 500,000 gallons per month

Customer charge	\$	200.00	
	\$	6.75	Per 1,000 gallons

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See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Water Rates, Wastewater Rates, and Number of Customers (Unaudited) - Continued*

*Year Ended December 31, 2012*

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### City of Fairview Customer Rates:

#### Water Rates

3/4" Residential - inside city limit	\$ 12.82	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
3/4" Residential - outside city limit	\$ 21.28	First 2,000 gallons
	\$ 6.03	Per 1,000 gallons over 2,000
Residential, 2 houses on 1 meter - inside city limit	\$ 25.64	First 4,000 gallons
	\$ 3.63	Per 1,000 gallons over 4,000
Residential, 2 houses on 1 meter - outside city limit	\$ 42.56	First 4,000 gallons
	\$ 6.03	Per 1,000 gallons over 4,000
Residential, 3 houses on 1 meter - inside city limit	\$ 38.46	First 6,000 gallons
	\$ 3.63	Per 1,000 gallons over 6,000
Residential, Rountree Apartments (81 units)	\$ 1,038.42	First 162,000 gallons
	\$ 3.63	Per 1,000 gallons over 162,000
Residential, Maple Valley Apartments (41 units)	\$ 525.62	First 82,000 gallons
	\$ 3.63	Per 1,000 gallons over 82,000
Residential, Park Village Apartments (113 units)	\$ 1,448.66	First 226,000 gallons
	\$ 3.63	Per 1,000 gallons over 226,000
3/4" Commercial - inside city limit	\$ 12.82	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
1" Commercial - inside city limit	\$ 15.00	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
1" Commercial - outside city limit	\$ 24.00	First 2,000 gallons
	\$ 6.03	Per 1,000 gallons over 2,000
1 1/2" Commercial - inside city limit	\$ 20.00	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
2" Commercial - inside city limit	\$ 25.00	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
3" Commercial - inside city limit	\$ 30.00	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
4" Commercial - inside city limit	\$ 40.00	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
6" Commercial - inside city limit	\$ 50.00	First 2,000 gallons
	\$ 3.63	Per 1,000 gallons over 2,000
8" Commercial - inside city limit	\$ 60.00	First 2,000 gallons

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See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Water Rates, Wastewater Rates, and Number of Customers (Unaudited) - Continued*

*Year Ended December 31, 2012*

### City of Fairview Customer Rates - continued

	\$	3.63	Per 1,000 gallons over 2,000
<u>Wastewater Rates</u>			
Residential	\$	23.50	First 2,000 gallons
	\$	6.30	Per 1,000 gallons next 2,000
	\$	4.15	Per 1,000 gallons over 4,000
Residential, 2 houses on 1 meter	\$	47.00	First 4,000 gallons
	\$	6.30	Per 1,000 gallons next 4,000
	\$	4.15	Per 1,000 gallons over 8,000
Residential, 3 houses on 1 meter	\$	70.50	First 6,000 gallons
	\$	6.30	Per 1,000 gallons next 6,000
	\$	6.30	Per 1,000 gallons over 12,000
Residential, Rountree Apartments (81 units)	\$	1,903.50	First 162,000 gallons
	\$	6.30	Per 1,000 gallons next 324,000
	\$	4.15	Per 1,000 gallons over 486,000
Residential, Maple Valley Apartments (41 units)	\$	963.50	First 82,000 gallons
	\$	6.30	Per 1,000 gallons next 164,000
	\$	4.15	Per 1,000 gallons over 246,000
Residential, Park Village Apartments (113 units)	\$	2,655.50	First 226,000 gallons
	\$	6.30	Per 1,000 gallons next 452,000
	\$	4.15	Per 1,000 gallons over 678,000
Residential Well, 1 person	\$	23.50	Flat Rate
Residential Well, 2 people	\$	23.50	Flat Rate
Residential Well, 3 people	\$	29.50	Flat Rate
Residential Well, 4 people	\$	35.50	Flat Rate
Residential Well, 5 people	\$	41.50	Flat Rate
Commercial	\$	40.00	First 2,000 gallons
	\$	8.92	Per 1,000 gallons next 2,000
	\$	6.82	Per 1,000 gallons next 2,000
	\$	5.78	Per 1,000 gallons next 4,000
	\$	5.25	Per 1,000 gallons next 40,000
	\$	4.72	Per 1,000 gallons over 50,000
Commercial, 2 businesses on 1 meter	\$	80.00	First 4,000 gallons
	\$	8.92	Per 1,000 gallons next 4,000
	\$	6.82	Per 1,000 gallons next 4,000

See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Water Rates, Wastewater Rates, and Number of Customers (Unaudited) - Continued*

*Year Ended December 31, 2012*

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### City of Fairview Customer Rates - continued

#### Wastewater Rates - continued

Commercial, 2 businesses on 1 meter - continued	\$	5.78	Per 1,000 gallons next 8,000
	\$	5.25	Per 1,000 gallons next 80,000
	\$	4.72	Per 1,000 gallons over 100,000
Commercial, 3 businesses on 1 meter	\$	120.00	First 6,000 gallons
	\$	8.92	Per 1,000 gallons next 6,000
	\$	6.82	Per 1,000 gallons next 6,000
	\$	5.78	Per 1,000 gallons next 12,000
	\$	5.25	Per 1,000 gallons next 120,000
	\$	4.72	Per 1,000 gallons over 150,000
Commercial - non-profit, church, school, etc.	\$	23.50	First 2,000 gallons
	\$	6.30	Per 1,000 gallons next 2,000
	\$	4.15	Per 1,000 gallons over 4,000
France Industries	\$	40.00	First 2,000 gallons
	\$	8.92	Per 1,000 gallons next 2,000
	\$	6.82	Per 1,000 gallons next 2,000
	\$	5.78	Per 1,000 gallons next 4,000
	\$	5.25	Per 1,000 gallons next 30,000
	\$	4.72	Per 1,000 gallons over 40,000

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See independent auditors' report.



# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Water Rates, Wastewater Rates, and Number of Customers (Unaudited) - Continued*

*Year Ended December 31, 2012*

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### Number of Customers

The number of water customers at December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Residential	15,841	15,688
Commercial	<u>1,581</u>	<u>1,575</u>
	<u>17,422</u>	<u>17,263</u>

The number of wastewater customers at December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Residential	6,288	6,209
Commercial	<u>1,090</u>	<u>1,083</u>
	<u>7,378</u>	<u>7,292</u>

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See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## Schedule of AWWA Reporting Spreadsheet (Unaudited) - Continued

Year Ended December 31, 2012

**AWWA WLCC Free Water Audit Software: Reporting Worksheet**  
Copyright © 2010, American Water Works Association. All Rights Reserved. WAS v4.2 [Back to Instructions](#)

[Click to access definition](#) **Water Audit Report for: Water Authority Of Dickson County**  
Reporting Year: 2012 1/2012 - 12/2012

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

<< Enter grading in column 'E'

**WATER SUPPLIED**

Volume from own sources:	9	3	1,544.572	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	9	2	0.000	MG/Yr
Water imported:	9	3	254.120	MG/Yr
Water exported:	9	3	118.052	MG/Yr
<b>WATER SUPPLIED:</b>			<b>1,680.630</b>	<b>MG/Yr</b>

**AUTHORIZED CONSUMPTION**

Billed metered:	9	3	1,220.551	MG/Yr
Billed unmetered:	9	10	0.000	MG/Yr
Unbilled metered:	9	3	12.855	MG/Yr
Unbilled unmetered:	9	3	18.882	MG/Yr
<b>AUTHORIZED CONSUMPTION:</b>			<b>1,253.388</b>	<b>MG/Yr</b>

Click here: [9](#) for help using option buttons below

Font: Value: 18.882

Use buttons to select percentage of water supplied OR value

**WATER LOSSES (Water Supplied - Authorized Consumption)**

			<b>426.632</b>	<b>MG/Yr</b>
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**Apparent Losses**

Unauthorized consumption:	9	3	4.225	MG/Yr
Default option selected for unauthorized consumption - a grading of 3 is applied but not displayed				
Customer metering inaccuracies:	9	3	54.821	MG/Yr
Systematic data handling errors:	9	3	1.220	MG/Yr
<b>Apparent Losses:</b>			<b>70.355</b>	

Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

Font: Value: 5.00%

**Real Losses (Current Annual Real Losses or CARL)**

<b>Real Losses = Water Losses - Apparent Losses:</b>			<b>356.258</b>	<b>MG/Yr</b>
<b>WATER LOSSES:</b>			<b>426.632</b>	<b>MG/Yr</b>

**NON-REVENUE WATER**

<b>NON-REVENUE WATER:</b>			<b>488.378</b>	<b>MG/Yr</b>
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**SYSTEM DATA**

Length of mains:	9	10	659.1	miles
Number of active and inactive service connections:	9	3	18,888	
Connection density:	9	3	28	conn./mile main
Average length of customer service line:	9	10	0.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	9	10	82.0	psi

**COST DATA**

Total annual cost of operating water system:	9	10	\$5,628,845	\$/Year
Customer retail unit cost (applied to Apparent Losses):	9	3	\$5.15	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	9	10	\$1,644.87	\$/Million gallons

**PERFORMANCE INDICATORS**

**Financial Indicators**

Non-revenue water as percent by volume of Water Supplied:			27.8%
Non-revenue water as percent by cost of operating system:			18.1%
Annual cost of Apparent Losses:			\$362,387
Annual cost of Real Losses:			\$802,498

**Operational Efficiency Indicators**

Apparent Losses per service connection per day:			10.32	gallons/connection/day
Real Losses per service connection per day:			N/A	gallons/connection/day
Real Losses per length of main per day:			1,536.47	gallons/mile/day
Real Losses per service connection per day per psi pressure:				gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):			188.63	million gallons/year
From Above, Real Losses - Current Annual Real Losses (CARL):			366.27	million gallons/year
Infrastructure Leakage Index (ILI) (CARL/UARL):			1.93	

\* only the most applicable of these two indicators will be calculated

**WATER AUDIT DATA VALIDITY SCORE**

**\*\*\* YOUR SCORE IS: 83 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Water imported

[For more information, click here to see the Grading Matrix worksheet](#)

AWWA Water Loss Control Committee

Reporting Worksheet 1

See independent auditors' report.

# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Insurance (Unaudited)*

***December 31, 2012***

<u>Company</u>	<u>Policy #</u>	<u>Coverage</u>	<u>Coverage amount</u>	<u>Expiration</u>
TML Risk Management Pool	TML-0582-14	Commercial general liability		7/1/2013
		Each person for bodily injury	\$ 300,000	
		Each occurrence for bodily injury	\$ 700,000	
		Each occurrence for property damage	\$ 100,000	
		Policy limit per occurrence	\$ 5,000,000	
TML Risk Management Pool	TML-0582-14	Automobile liability		7/1/2013
		Each person for bodily injury	\$ 300,000	
		Each occurrence for bodily injury	\$ 700,000	
		Each occurrence for property damage	\$ 100,000	
		Policy limit per occurrence	\$ 5,000,000	
TML Risk Management Pool	TML-0459-14	Property Coverage		7/1/2013
		Buildings and personal property	\$ 93,410,004	
		Data processing equipment	\$ 111,186	
		Mobile equipment	\$ 758,482	
TML Risk Management Pool	TMP-0459-14	Crime coverage		7/1/2013
		Employee dishonesty	\$ 150,000	
		Forgery or alteration	\$ 150,000	
		Theft, disappearance and destruction	\$ 150,000	
		Computer fraud	\$ 150,000	
TML Risk Management Pool	TWC-0526-14	Worker's compensation		7/1/2013
		Each accident	\$ 300,000	
		Each employee	\$ 300,000	
		Policy limit	\$ 700,000	
Cincinnati Insurance Company	BCP-0000976	Directors and officers aggregate limit (25,000 deductible)	\$ 5,000,000	7/1/2013
		Employment practices aggregate limit (25,000 deductible)	\$ 5,000,000	
		Trustees and fiduciary liability and employee benefits (\$2,500 deductible)	\$ 1,000,000	
Cincinnati Insurance Company	B-0340573	Public Official Bond - Chairman of the Board	\$ 440,640	4/1/2013
	B-0543819	Public Official Bond - Secretary/Treasurer	\$ 440,640	1/1/2013
	B-0340575	Public Official Bond - Comptroller	\$ 440,640	4/1/2013

See independent auditors' report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners  
Water Authority of Dickson County  
Dickson, Tennessee

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Water Authority of Dickson County (the Authority) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 10, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Authority's Response to Findings**

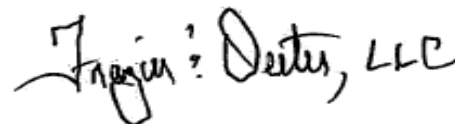
The Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

This communication is intended solely for the information and use of the Board of Commissioners, management, others within the entity, and the Comptroller of the Treasury, state of Tennessee and is not intended to be, and should not be, used by anyone other than these specified parties.

May 10, 2013

A handwritten signature in black ink that reads "Ingram? Oster, LLC". The signature is written in a cursive, somewhat stylized font.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Commissioners  
Water Authority of Dickson County  
Dickson, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the Water Authority of Dickson County's (the Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2012. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

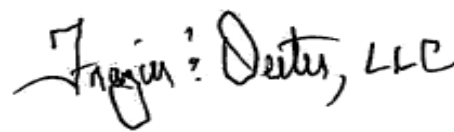
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified one deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-01 to be a material weakness.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

May 10, 2013



# **WATER AUTHORITY OF DICKSON COUNTY**

## ***Schedule of Findings and Questioned Costs***

***For the Year Ended December 31, 2012***

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### **SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Water Authority of Dickson County (the Authority) for the year ended December 31, 2012.
2. Two material weaknesses in internal control over financial reporting of the Authority for the year ended December 31, 2012 were disclosed during the audit.
3. No instance of noncompliance material to the financial statements of the Authority for the year ended December 31, 2012 was disclosed during the audit.
4. One material weakness in internal control over compliance for each major federal program of the Authority for the year ended December 31, 2012 was disclosed during the audit.
5. The auditor's report on compliance for each major federal program for the Authority expresses an unqualified opinion on all major federal programs for the year ended December 31, 2012.
6. There is one audit finding that is required to be reported in accordance with Section 510 (a) OMB Circular A-133.
7. The programs tested as major programs for the Authority included: U.S. Environmental Protection Agency - Capitalization Grants for Clean Water State Revolving Funds, CFDA 66.458.
8. The dollar threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The Authority was determined not to be a low-risk auditee.

### **FINDINGS - FINANCIAL STATEMENT AUDIT**

#### **Material Weaknesses In Internal Control Over Financial Reporting**

##### **2012-01 Grant Revenues and Schedule of Expenditures of Federal Awards (SEFA)**

*Condition:* During the audit we noted the Authority recorded the grant portion of the federal assistance, obtained under Wastewater Facility Revolving Fund Loan Program, using the cash basis of accounting instead of the accrual basis of accounting. The Authority's financial statements are reported using the accrual basis of accounting, where, revenues are recorded when earned and expenses are recorded when a liability is incurred. In addition, the SEFA was also prepared using the cash basis of accounting, where, federal expenditures incurred as of year-end and not reimbursed until after year-end, were not included.



# WATER AUTHORITY OF DICKSON COUNTY

## *Schedule of Findings and Questioned Costs - Continued*

*For the Year Ended December 31, 2012*

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*Criteria:* Under the accrual basis of accounting, the revenues are recorded when earned and expenses are recorded when a liability is incurred. Generally accepted accounting principles require that voluntary nonexchange transactions should be recognized as earned when all the eligibility requirements are met. In addition, the SEFA was not prepared in accordance with OMB Circular A-133.

*Cause:* The Authority failed to record the grant portion of the federal assistance in accordance with generally accepted accounting principles and the accrual basis of accounting, and to prepare SEFA in accordance with OMB Circular A-133.

*Effect:* Failure to record the grant portion of the federal assistance in accordance with generally accepted accounting principles and the accrual basis of accounting resulted in an audit adjustment (which has been recorded by the Authority) of approximately \$122,000. In addition, the SEFA was not accurately prepared, where, federal expenditures incurred as of year-end and not reimbursed until after year-end, were not included.

*Recommendation:* We recommend the Authority recognize federal grant revenues in accordance with generally accepted accounting principles and the accrual basis of accounting, and prepare the SEFA in accordance with OMB Circular A-133.

*Views of Responsible Officials and Planned Corrective Actions:* The Authority concurs with auditor's recommendations and is in the process of implementation.

### 2012-02 Capital Contribution and Retirement of Utility Plant Assets

*Condition:* In 2007, the Authority entered into a utility relocation contract with the Tennessee Department of Transportation (TDOT) to relocate water and wastewater lines in conjunction with a state highway construction project within the Authority's service area. The utility relocation project started in March 2011 and was completed by TDOT and accepted by the Authority in April 2012. During the audit we noted the Authority failed to record the utility relocation project cost as a capital contribution and as an addition to the capital asset listing. The Authority also failed to retire the abandonment of the replaced water and wastewater line.

*Criteria:* Generally accepted accounting principles require the donated utility plant to be accounted for as a capital contribution in the statement of revenues, expenses and changes in net position, and as utility plant in the balance sheets on the date donated. In addition, the existing capital assets replaced by the donated utility plant assets should be retired from the capital assets listing at the time of the utility plant asset donation.

# **WATER AUTHORITY OF DICKSON COUNTY**

## ***Schedule of Findings and Questioned Costs - Continued***

***For the Year Ended December 31, 2012***

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*Cause:* The Authority's lack of internal control over recognition of capital contributions from an outside agency caused the Authority to fail to record a capital contribution of water and wastewater lines and corresponding abandonment of the replaced water and wastewater lines from the utility plant assets in accordance with generally accepted accounting principles.

*Effect:* Failure to recognize a capital contribution from an outside agency resulted in an audit adjustment (which has been recorded by the Authority) of approximately \$691,000 in capital contributions and additions to the utility plant assets, and related depreciation expense of approximately \$11,813. In addition, an audit adjustment of approximately \$154,000 was proposed (which has been recorded by the Authority) to record the abandonment of the replaced water and wastewater lines from utility plant assets.

*Recommendation:* We recommend that the Authority assign a member of the accounting department to oversee any contracts and commitments for new construction projects managed and funded by an outside agency. Additionally, we recommend that the engineering department design processes to ensure the accounting department is aware of and has all the necessary information to record additions and retirements of utility plant related to these contracts. To ensure the accuracy and completeness of the cost of capital asset additions and retirements, we recommend the Authority consider designating an appropriate level of management to review the cost calculation and support information in detail and document the review process by initialing and dating the reviewed documentation.

*Views of Responsible Officials and Planned Corrective Actions:* The Authority concurs with auditor's recommendations and is in the process of implementation.

## **FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

One finding presented as item 2012-01 under Finding - Financial Statement Audit and no questioned costs were noted.